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## New law in Germany

The Fund Location Act for employee participation (*Fondsstandortgesetz*) was passed on April 22 in the German Bundestag.

Here is our evaluation of the new law:

- We assume that the issue of employee participation will attract much more attention than before due to the new framework conditions in Germany. Companies of all sizes will now give a lot of thought to whether and how they will implement a participation model for their employees.
- The new regulations are not only an incentive for employees to participate in the company they work. The regulations are - and this is at least as important - an incentive for companies to overcome their reluctance to involve their employees and to seriously question their often unfounded reservations that, for example, participating employees could influence the management or even more.
- The new tax-free amount of € 1,440, which can be granted annually per employee free of tax and social security contributions, is four times more than before. This is a remarkable improvement.
- The exemption is an option. It can be fully used or only partially. used. In addition, an adjustment over the following years could be possible.
- We expect that in the future, a significant number of variable remuneration models (productivity sharing, target agreement systems, profit sharing, etc.) will increasingly be converted into a model of equity participation.
- The date of introduction July 1st, 2021 is very well chosen. It goes hand in hand with the expiry of the corona bonus, which will be last granted the day before and which can also be converted into employee participation. This means that in year 2021, with intelligent model design, a justification of € 1,500 + € 1,440 is available for employee participation free of tax and social contributions.
- The new regulations will contribute to strengthening Germany as a business location and to attracting and retaining skilled workers, even in international competition.
- It will lead to a rethinking of employee participation in the startup sector. We will find that young companies will increasingly offer equity participation and thus turning away from the previous practice of granting virtual or phantom participations.
- The overall conception of the new regulations will also facilitate the implementation of succession plans or restructuring.